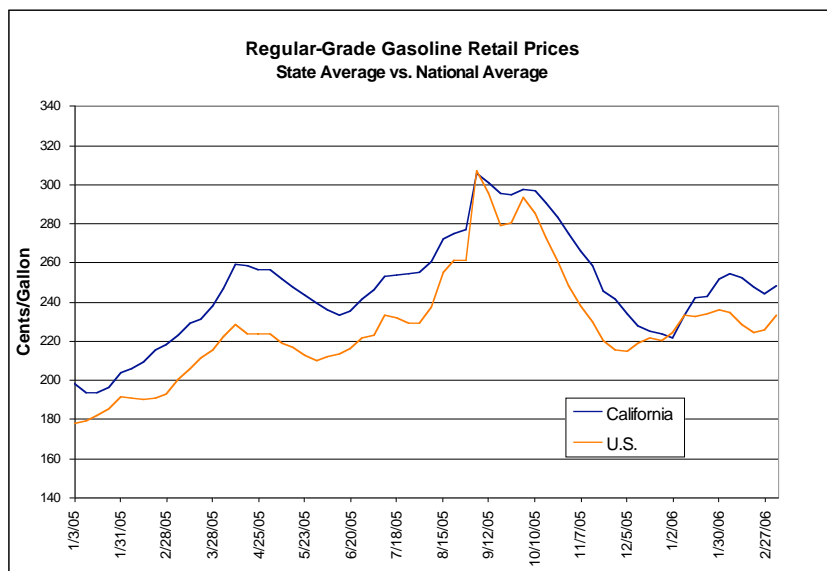
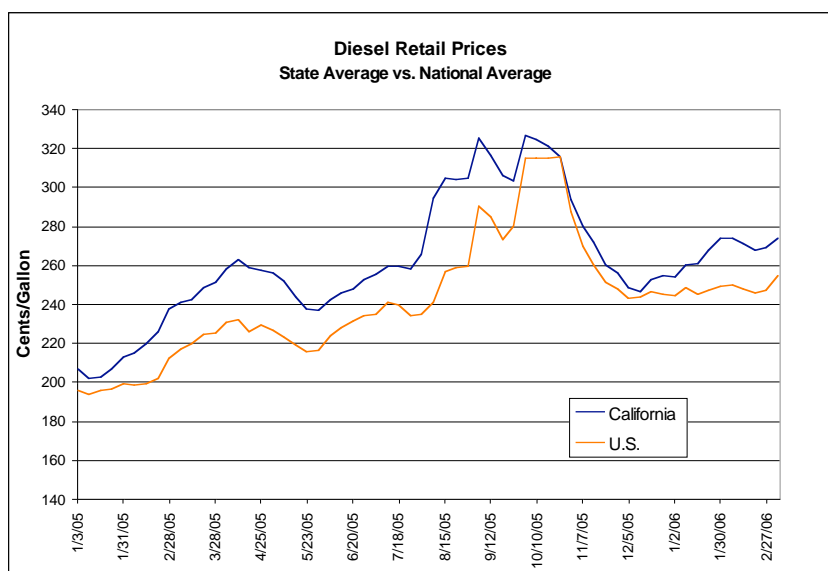


Retail Gasoline and Diesel Prices on March 6

- After dropping for three consecutive weeks, the average statewide retail price for regular-grade gasoline rose to \$2.48 a gallon, 4 cents more than last week. The difference between California and U.S. retail prices, which had increased to 24 cents per gallon in mid-February, has declined to 15 cents.¹



- Average California retail diesel prices rose by 5 cents over the previous week, reaching \$2.74 per gallon and returning to levels of four weeks ago. The difference between California and U.S. retail diesel prices has decreased to 19 cents per gallon, following five weeks of declines averaging about a penny a week.

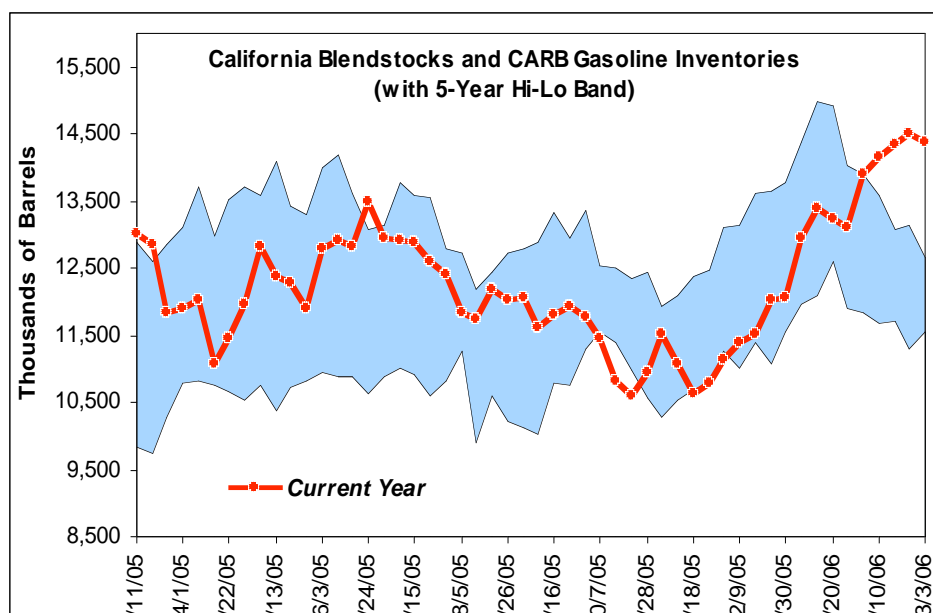
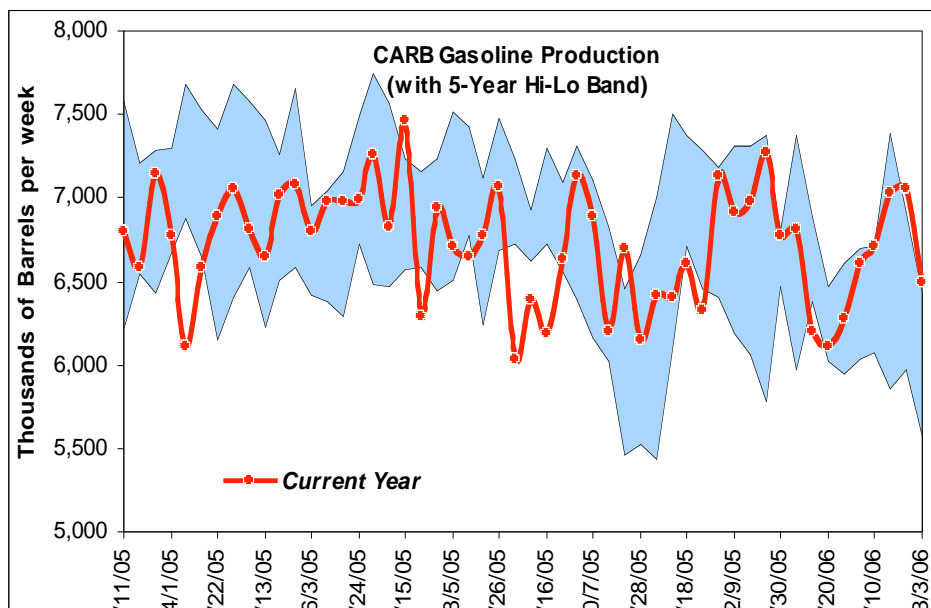


Wholesale Gasoline and Diesel Prices on March 7

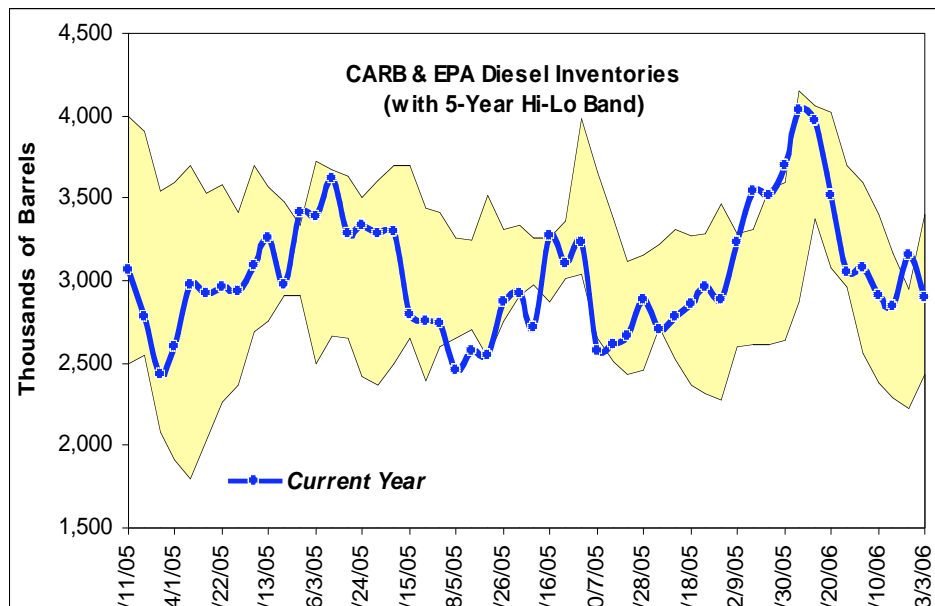
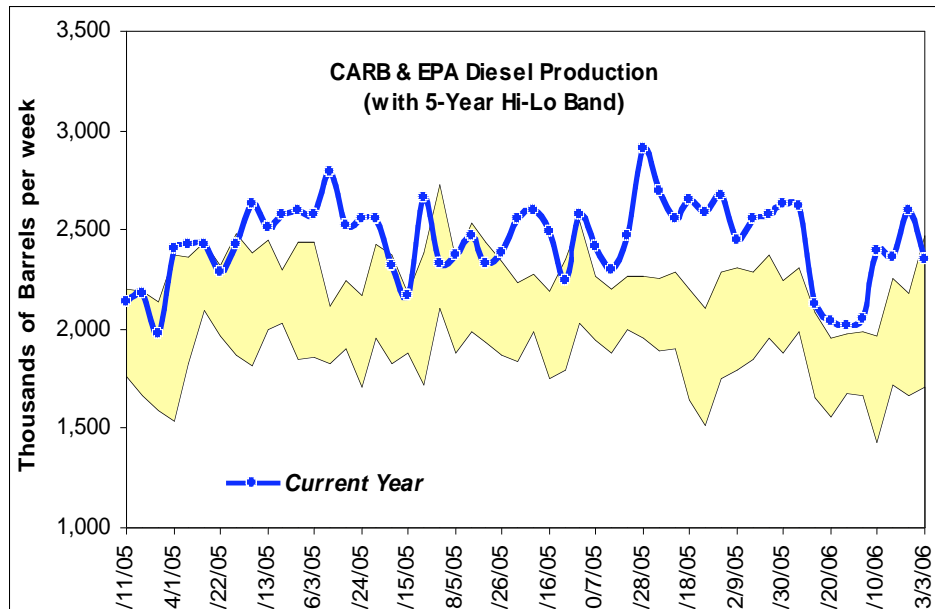
- After falling steadily during early February to a low of \$1.56 per gallon on February 14, California spot wholesale reformulated regular-grade gasoline prices climbed back to peak at \$1.95 on March 3 before falling to \$1.84. These trends tracked crude oil price movements to some extent, although recent spot gasoline prices are relatively high as refinery production has declined due to planned maintenance and unplanned outages and prices nationally are increasingly sensitive to the impending phase-out of methyl tertiary butyl ether (MTBE) in many areas. Differences between California spot prices and those for reformulated gasoline on the Gulf Coast have fluctuated widely during the last four weeks, peaking at 35 cents more in California on February 22 before falling back to 14 cents. Differences between California and New York Harbor over the same period have not been so variable, falling from 30 cents more in California on February 22 to 23 cents.
- California spot wholesale low-sulfur diesel prices followed a similar pattern to gasoline, falling to \$1.74 per gallon on February 15 before rising to a peak of \$2.03 on March 3. Prices have since dropped back to \$1.94. After falling roughly to parity in mid-February, the difference between California wholesale diesel prices and prices in other regions has grown in recent weeks. California spot prices were 9 cents more than New York Harbor and 12 cents more than the Gulf Coast on March 7. The difference between California diesel and gasoline spot prices has dropped in the last week from 16 cents more for diesel as of February 28 to 10 cents currently.
- The Energy Information Administration weekly assessment for March 3 reports that U.S. gasoline demand increased 1.2 percent from the previous week, while distillate demand grew 2.4 percent. The latest four-week average demand for gasoline is 9.034 million barrels per day, 1.4 percent more than last year. The four-week average for U.S. distillate demand is 4.299 million barrels per day, also up 1.4 percent from last year.

Refinery Production and Inventories

- Following two weeks of more than 7 million barrels output, reformulated gasoline production in California during the week ending March 3 dropped to 6.5 million barrels, 8 percent less than the previous week, due to refinery winter maintenance programs and some unplanned outages. This is still almost 17 percent more than a year ago, and production remains at the upper end of the five-year range.²
- California reformulated gasoline inventories were unchanged from the previous week, while gasoline blendstock inventories fell by 1.3 percent, with refiners well-stocked in anticipation of the maintenance season. Combined inventories of reformulated gasoline and gasoline blendstocks in the state are well in excess of even the upper end of the five-year range, 14 percent higher than last year, mostly because of very high levels of blendstocks. Meanwhile, U.S. gasoline inventories fell by 1.1 million barrels from the previous week to 224.8 million barrels as of March 3 largely due to refinery maintenance and lower imports.



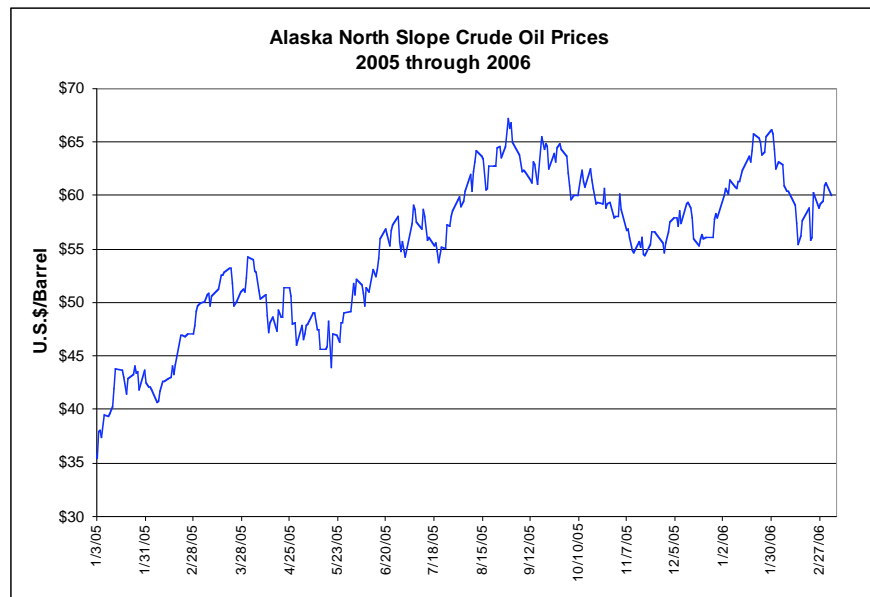
- California production of low-sulfur diesel during the week of March 3, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, fell 9.4 percent from the previous week and almost 5 percent from a year ago, but remains at the upper end of the five-year range. Combined low-sulfur diesel inventories in the state fell to 2.9 million barrels, about 8 percent less than the previous week and roughly in the middle of the five-year range. U.S. distillate inventories dropped sharply from the previous week, declining by 2.7 million barrels to 131.4 million barrels as of March 3, but still 22.2 million barrels more than last year.



Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, have fluctuated around the \$56-\$60-per-barrel range over the last month, reflecting global oil market nervousness over ongoing geopolitical concerns and production problems. The standoff between Iran and the U.S. and Europe over Iran's nuclear aspirations, sluggish Iraqi exports due to sabotage and weather, protests and strikes affecting oil pipelines in Ecuador, and production problems in the Gulf of Mexico and offshore Newfoundland have created a tense

market. New militant attacks on oil platforms and pipelines and the kidnapping of oil workers cut production by about 20 percent in Nigeria and pushed ANS prices up from a low of \$55.35 on February 15 to \$58.80 as of February 21.³ After settling back down briefly, ANS prices spiked to \$60.21 on February 24 following a failed terrorist attack on the huge Saudi Arabian oil processing center at Abqaiq. ANS prices have vacillated since, before falling to \$57.77 as of March 8 probably due to growing U.S. inventories and OPEC agreements at its recent meeting not to cut production quotas.



- U.S. commercial crude oil inventories have increased to 335.1 million barrels as of March 3, the highest levels since April 1999. This is 6.8 million barrels more than the previous week, 32.5 million more than last year, and 44.4 million more than the five-year average. Crude oil stocks continue to increase with crude oil imports remaining strong and refinery runs down due to extensive maintenance schedules. These factors offset lost oil production along the Gulf Coast from last year's hurricanes.
- The return of offshore crude oil production in the Gulf Coast has slowed in recent months and a substantial amount remains off-line. According to the latest available Minerals Management Service report, as of February 22 more than 24 percent of U.S. Gulf of Mexico offshore oil production, or 362,796 barrels per day, remains shut down from Hurricanes Katrina, Rita, and Wilma. More than 129 million barrels of crude oil production have cumulatively been lost to these hurricanes since late August, almost 24 percent of annual Gulf of Mexico offshore oil production.

¹ Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration of the U.S. Department of Energy.

² California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

³ ANS crude oil prices are from *The Wall Street Journal*. U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.